



**Province of Newfoundland  
and Labrador**

**Public Accounts  
Volume II**

**Consolidated Revenue Fund  
Financial Statements**

**For The Year Ended  
31 March 2005**



# **Province of Newfoundland and Labrador**

## **Public Accounts**

### **Volume II**

#### **Consolidated Revenue Fund Financial Statements**

**For The Year Ended  
31 March 2005**

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## INTRODUCTION

The *Financial Administration Act* requires that all revenues over which the Legislature has power of appropriation shall form one Consolidated Revenue Fund. The financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador are presented through the publication of the Public Accounts, Volume II.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Standards of the Canadian Institute of Chartered Accountants, and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General of Finance and are audited by the Auditor General, who presents an annual report to the House of Assembly on the results of his audit. Budget figures, where available, are provided on several Statements for comparison purposes.

The Public Accounts for the year ended 31 March 2005 consists of three other volumes:

**Volume I - Consolidated Summary Financial Statements** presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

**Volume III - Consolidated Revenue Fund Supplementary Statements and Schedules** presents the unaudited summary statements, detailed departmental statements, schedules and notes of the Fund and are prepared on a basis consistent with the Estimates of the Province.

**Volume IV- Financial Statements of Crown Corporations, Boards and Authorities** presents a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

### Internet Address

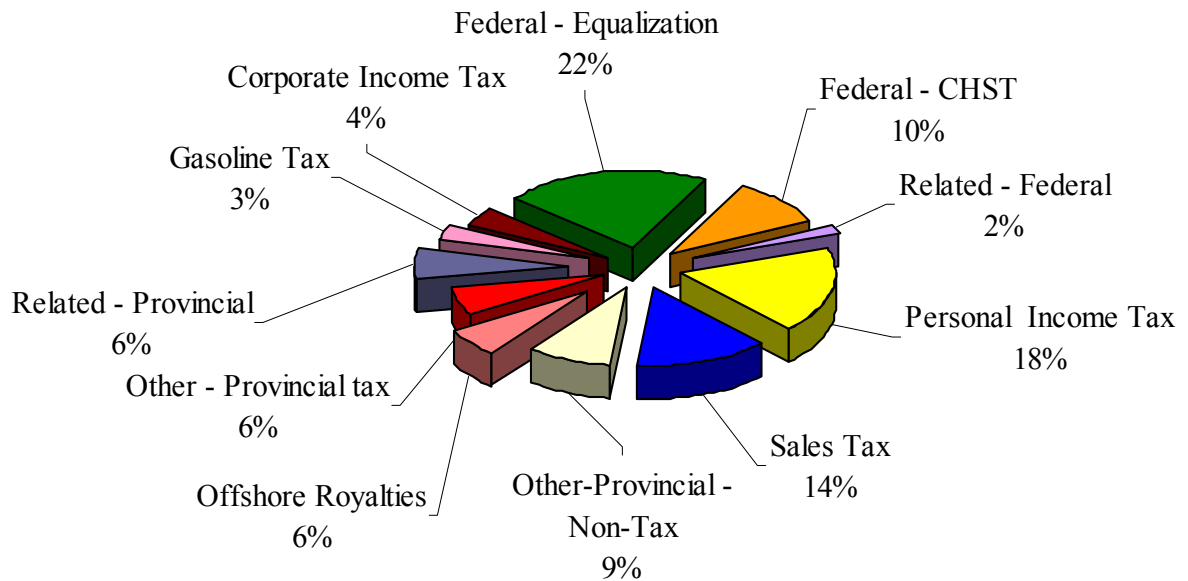
The Public Accounts are available on the Internet at:  
<http://www.gov.nl.ca/ComptrollerGeneral/publications.htm>

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Revenue

Total revenue was \$4.22 billion in 2004-2005 which consisted of federal revenues of \$1.43 billion and provincial revenues of \$2.79 billion.

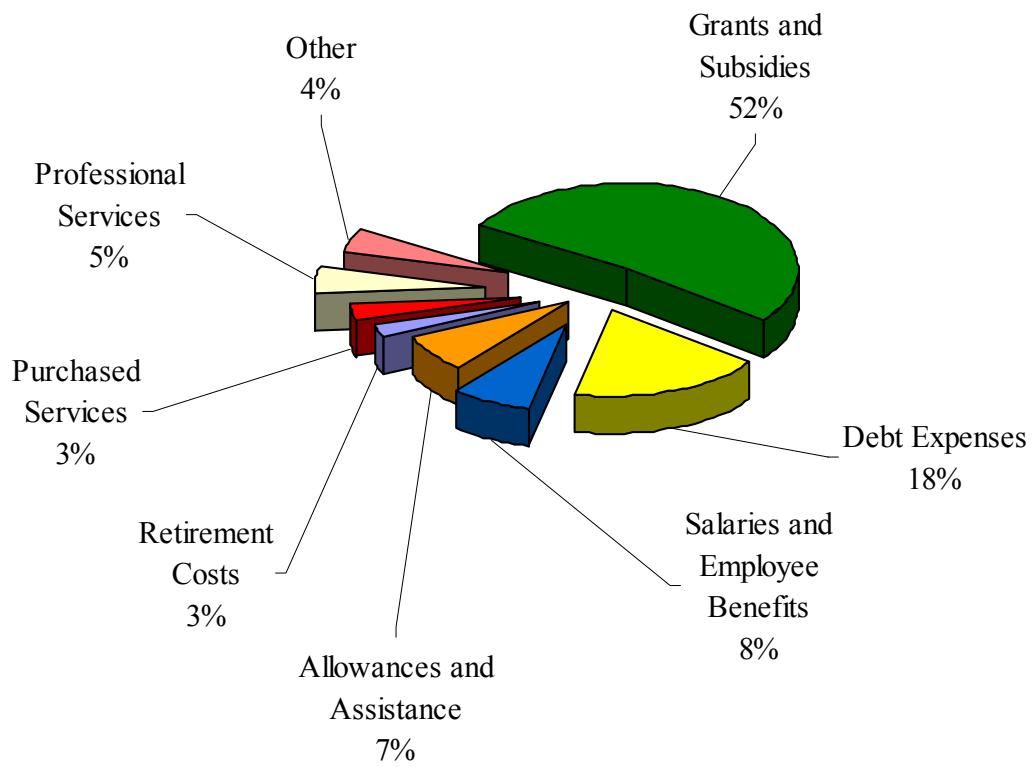
Revenue by Source - 31 March 2005



Expenses

Total expenses were \$4.77 billion in 2004-2005. Grants and subsidies of \$2.48 billion and debt expenses of \$0.88 billion represented approximately 70% of this amount.

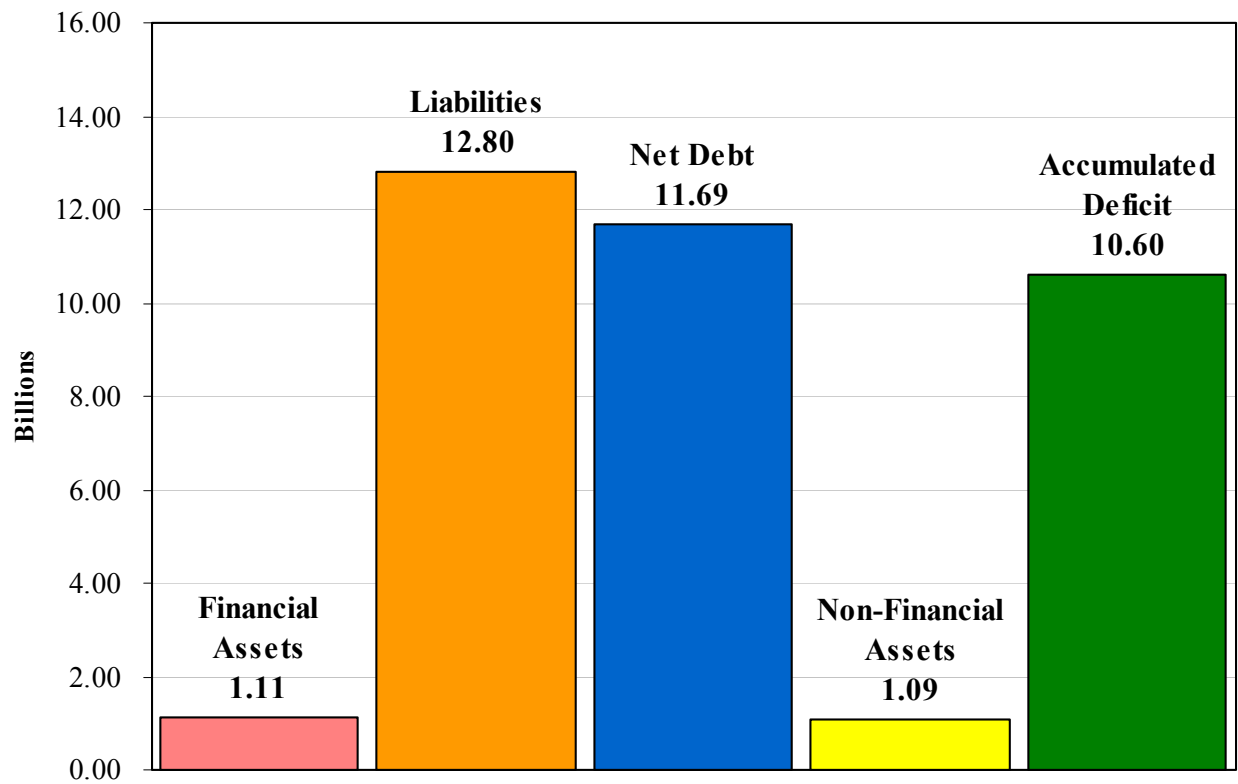
Expenses by Category - 31 March 2005



Financial Position

Accumulated Deficit of \$10.60 billion consisted of \$12.80 billion in liabilities less \$2.20 billion in assets. Net Debt of \$11.69 billion consisted of \$12.80 billion in liabilities less \$1.11 billion in financial assets.

Statement of Financial Position - 31 March 2005



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GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR

DEPARTMENT OF FINANCE

OFFICE OF THE COMPTROLLER GENERAL

CONFEDERATION BUILDING  
ST. JOHN'S

13 September 2005

**STATEMENT OF RESPONSIBILITY**

These summary financial statements of the Consolidated Revenue Fund are prepared in accordance with the requirements of the *Financial Administration Act* based upon information provided by the various Government departments. Where necessary, the information included in these summary financial statements is based upon best estimates and judgement, taking into account materiality of the amounts. The summary financial statements in this volume include a Statement of Financial Position, a Statement of Change in Net Debt, a Statement of Operations, a Statement of Change in Accumulated Deficit, a Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements. Together they present fairly, in all material respects, the financial position of the Province's Consolidated Revenue Fund as at 31 March 2005 and the results of operations for the year then ended.

RONALD A. WILLIAMS, C.A.  
Comptroller General of Finance

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OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the House of Assembly  
Province of Newfoundland and Labrador

I have audited the statement of financial position of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador as at 31 March 2005 and the statements of change in net debt, operations, change in accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The accompanying financial statements have been prepared to present the results of the Consolidated Revenue Fund in relation to its budget for the year ended 31 March 2005. Significant financial activities of Government occur outside the Consolidated Revenue Fund. Most of these activities together with those of the Consolidated Revenue Fund are included in the consolidated summary financial statements of the Province. For this reason, the consolidated summary financial statements provide a more comprehensive accounting of the financial position and results of Government operations. A separate Auditor's Report is provided on the consolidated summary financial statements for the year ended 31 March 2005.

JOHN L. NOSEWORTHY, C.A.  
Auditor General

St. John's, Newfoundland and Labrador  
13 September 2005

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Financial Position As at 31 March 2005 with comparative figures for 2004

		Actuals 2005	Actuals 2004
		(\$000)	(\$000)
<b>FINANCIAL ASSETS</b>			
	Cash and temporary investments at cost - note 2 .....	689,655	200,012
	Government of Canada - claims in process - note 3 .....	52,515	54,320
Sch. A	Accounts and taxes receivable .....	348,794	333,320
	Less: Allowance for doubtful accounts .....	101,150	115,715
		<u>247,644</u>	<u>217,605</u>
Sch. B	Loans, advances and mortgages receivable .....	122,529	167,598
	Less: Allowance for doubtful accounts .....	78,517	126,999
		<u>44,012</u>	<u>40,599</u>
Sch. C	Investments at cost .....	86,239	90,992
	Less: Allowance for investment writedowns .....	6,440	10,790
		<u>79,799</u>	<u>80,202</u>
	<b>Total Financial Assets</b> .....	<u>1,113,625</u>	<u>592,738</u>
<b>LIABILITIES</b>			
Sch. E	Other liabilities .....	1,505,002	1,069,508
	Deferred revenue - note 4 .....	8,358	-
Sch. F	Debenture and other debt .....	6,862,522	6,578,666
	Less: Sinking fund assets - note 5 .....	762,612	701,022
	Plus: Unamortized unrealized foreign exchange gains (losses) - note 6 .....	100,968	8,436
		<u>6,200,878</u>	<u>5,886,080</u>
	Group health and life insurance retirement benefits - note 8 .....	1,149,375	1,057,669
	Unfunded pension liability - note 9 .....	3,933,568	3,745,470
	<b>Total Liabilities</b> .....	<u>12,797,181</u>	<u>11,758,727</u>
	<b>NET DEBT</b> .....	<u>11,683,556</u>	<u>11,165,989</u>
<b>NON-FINANCIAL ASSETS</b>			
Sch. D	Tangible capital assets .....	1,072,092	1,109,365
	Prepaid expenses .....	3,398	1,779
	Inventories of supplies .....	13,113	14,597
	<b>Total Non-Financial Assets</b> .....	<u>1,088,603</u>	<u>1,125,741</u>
	<b>ACCUMULATED DEFICIT</b> .....	<u>10,594,953</u>	<u>10,040,248</u>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

The accompanying notes and supporting schedules form an integral part of the financial statements.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Net Debt For the year ended 31 March 2005 with comparative figures for 2004

	Actuals 2005	Original Estimates 2005 (Note 18)	Actuals 2004
	(\$000)	(\$000)	(\$000)
<b>NET DEBT - beginning of period</b> .....	11,165,989		10,523,006
<b>Deficit for the period</b> .....	554,705	741,402	670,197
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets .....	45,583	66,295	61,602
Net book value of tangible capital asset disposals .....	(189)	-	(269)
Amortization of tangible capital assets .....	(82,667)	(84,155)	(89,029)
<i>Increase (Decrease) in net book value of tangible capital assets</i>	(37,273)	(17,860)	(27,696)
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expenses (net of usage) .....	1,619		614
Acquisition of inventories of supplies (net of usage) .....	(1,484)		(132)
<i>Increase (Decrease) in other non-financial assets</i>	135		482
<i>Increase (Decrease) in net debt</i> .....	517,567		642,983
<b>NET DEBT - end of period</b> .....	11,683,556		11,165,989

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

The accompanying notes and supporting schedules form an integral part of the financial statements.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Operations For the year ended 31 March 2005 with comparative figures for 2004

	Actuals 2005 (\$000)	Original Estimates 2005 (Note 18) (\$000)	Actuals 2004 (\$000)
<b>REVENUE</b>			
Provincial			
Tax Revenue			
Sales .....	594,551	636,795	625,148
Personal income .....	766,510	742,860	733,217
Gasoline .....	137,801	142,700	135,937
Corporate income .....	171,663	183,800	139,575
Other .....	246,047	254,070	252,916
Non-Tax Revenue			
Offshore royalties .....	264,673	121,350	126,798
Investment income .....	221,226	216,570	207,194
Fees and fines .....	157,192	149,819	144,382
Related revenue .....	226,853	192,846	228,791
Government of Canada			
Equalization .....	919,955	835,142	938,983
Canada Health and Social Transfer .....	426,406	414,111	393,668
Other .....	1,708	1,708	1,708
Related revenue .....	85,417	146,400	134,994
<b>Total Revenue</b> .....	<b>4,220,002</b>	<b>4,038,171</b>	<b>4,063,311</b>
<b>EXPENSE</b>			
Salaries .....	310,106	320,688	335,088
Employee benefits .....	45,645	36,121	35,934
Retirement costs .....	120,935	123,124	104,671
Transportation and communications .....	30,895	39,061	37,522
Supplies .....	55,878	51,171	57,353
Professional services .....	257,633	254,089	248,091
Purchased services .....	135,421	149,371	135,283
Property, furnishings and equipment .....	8,892	8,852	31,990
Allowances and assistance .....	345,705	355,424	369,655
Grants and subsidies .....	2,478,850	2,320,782	2,320,111
Debt expenses .....	881,229	1,003,736	921,246
Information technology .....	19,067	24,684	21,138
Amortization (tangible capital assets) .....	82,667	84,155	89,029
Bad debt expenses .....	1,784	8,315	26,397
<b>Total Expense</b> .....	<b>4,774,707</b>	<b>4,779,573</b>	<b>4,733,508</b>
<b>ANNUAL DEFICIT</b> - note 10 .....	<b>554,705</b>	<b>741,402</b>	<b>670,197</b>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

See accompanying notes to the financial statements.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Accumulated Deficit For the year ended 31 March 2005 with comparative figures for 2004

	Actuals 2005 (\$000)	Original Estimates 2005 (Note 18) (\$000)	Actuals 2004 (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b> .....	10,040,248		9,370,051
<b>Deficit for the period</b> .....	554,705	741,402	670,197
<b>ACCUMULATED DEFICIT - end of period</b> .....	10,594,953		10,040,248

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

The accompanying notes and supporting schedules form an integral part of the financial statements.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Cash Flows For the year ended 31 March 2005 with comparative figures for 2004

	Actuals 2005	Actuals 2004
	(\$000)	(\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual deficit .....	(554,705)	(670,197)
Add (Deduct) non-cash items:		
Amortization of foreign exchange gains/losses .....	(1,751)	(22,760)
Amortization of tangible capital assets .....	82,667	89,029
Retirement costs .....	435,804	424,659
Valuation allowances .....	25,636	22,975
Sinking funds .....	(42,911)	(20,011)
Other .....	17,639	55,028
Deferred revenue .....	8,358	-
April writebacks .....	(6,440)	(10,315)
<b>Net cash applied to operating transactions .....</b>	<b>(35,703)</b>	<b>(131,592)</b>
<b>CAPITAL</b>		
Acquisitions .....	(45,583)	(61,602)
Disposals .....	133	97
<b>Net cash applied to capital transactions .....</b>	<b>(45,450)</b>	<b>(61,505)</b>
<b>FINANCING</b>		
Debt issued .....	600,000	300,000
Debt retirement .....	(198,895)	(117,978)
Special purpose funds/contractors' holdback funds .....	3,829	(3,190)
Treasury bills redeemed .....	(2,312,581)	(2,740,699)
Treasury bills purchased .....	2,312,303	2,741,476
Equalization loan .....	378,402	-
Sinking fund contributions .....	(41,350)	(37,600)
Retirement of pension liabilities .....	(156,000)	(163,500)
Wind up of voluntary sinking funds .....	-	40,589
<b>Net cash provided from financing transactions .....</b>	<b>585,708</b>	<b>19,098</b>
<b>INVESTING</b>		
Loan repayments .....	3,305	4,523
Loan advances and investments .....	(4,304)	(10,713)
<b>Net cash applied to investing transactions .....</b>	<b>(999)</b>	<b>(6,190)</b>
<b>Net cash provided (applied) .....</b>	<b>503,556</b>	<b>(180,189)</b>
Cash and temporary investments - beginning of period .....	185,404	365,593
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 2 ...</b>	<b>688,960</b>	<b>185,404</b>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

See other accompanying notes to the financial statements.

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# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Notes to the Financial Statements For the year ended 31 March 2005

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### 1. Summary of Significant Accounting Policies

#### (a) The Reporting Entity

The Reporting Entity includes the accounts and financial activities of the Consolidated Revenue Fund. Pursuant to the *Financial Administration Act* of the Province all public monies are accounted for through the Fund.

#### (b) Basis of Accounting

##### (i) Method

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenses being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

##### (ii) Revenues

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, Canada Health and Social Transfer and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known.

Other revenues are recorded on an accrual basis.

##### (iii) Expenses

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

##### (iv) Assets

Temporary investments are recorded at cost or market value, whichever is lower.

Government of Canada - claims in process are recorded as a receivable based on claims outstanding at 31 March and relate mainly to cost-shared agreements.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

Accounts and taxes receivable are recorded for all amounts due for work performed and goods or services supplied. Valuation allowances are provided when collection is considered doubtful.

Loans, advances and mortgages receivable are recorded at cost. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

Investments are recorded at cost and are written down when there is a loss in value that is other than a temporary decline.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization.

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(v) *Liabilities*

Deferred revenue represents amounts received but not earned.

Other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

Debenture and other debt, except treasury bills, are recorded at face value. Treasury bills are recorded at net proceeds.

The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria are met.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of Crown corporations, municipalities, private sector companies and certain individuals. A provision for losses on these guarantees is established when it is determined that a loss is likely.

**2. Cash and Temporary Investments**

Cash and temporary investments as at 31 March 2005 of \$689.7 million consist of \$660.1 million in temporary investments plus cash balance of \$28.9 million (totalling \$689.0 million as per Statement of Cash Flows) plus accrued interest of \$0.7 million.

Cash and temporary investments as at 31 March 2004 of \$200.0 million consisted entirely of temporary investments. The total of \$185.4 million as per the Statement of Cash Flows consists of the \$200.0 million in temporary investments less bank overdraft of \$14.6 million (included in Other Liabilities).

Temporary investments of \$660.1 million (31 March 2004 - \$200.0 million) plus accrued interest of \$0.7 million (31 March 2004 - \$0.01 million), consist of investments with financial institutions. These investments are on call or have maturity dates ranging from 01 April 2005 to 15 April 2005 at interest rates which vary from 2.50% to 2.65%.

**3. Government of Canada - Claims in Process**

Consists of:

	31 March 2005	31 March 2004
	(\$mil)	(\$mil)
Claims receivable at 31 March not received in April .....	24.1	30.5
Receipts in April .....	28.4	23.8
Total .....	<u>52.5</u>	<u>54.3</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**4. Deferred Revenue**

The deferred revenue totalling \$8.4 million includes \$8.1 million relating to the Provision of Funding for Diagnostic and Medical Equipment with the balance relating to miscellaneous departmental programs. The purpose of the Diagnostic and Medical Equipment funding is to acquire equipment to assist in the initiative to reduce wait times for various medical procedures. Funding under this initiative will be recognized as revenue in the periods in which the eligibility criteria have been met as outlined in the Health Accord objectives.

**5. Sinking Fund**

The value of the sinking funds as recorded in the Newfoundland and Labrador Government Sinking Fund financial statements is reflected in these financial statements.

The Sinking Fund Assets consist of:

	31 March 2005	31 March 2004
	(\$mil)	(\$mil)
Investments at cost .....	631.8	543.9
Amortization of bond discount .....	72.2	62.3
Investments at amortized cost .....	704.0	606.2
Cash and receivables less accounts payable .....	58.6	94.8
Net Sinking Fund Assets - translated at 31 March .....	<u>762.6</u>	<u>701.0</u>

The net sinking fund assets balance of 762.6 million Canadian dollars as at 31 March 2005 includes 239.9 million U.S. dollars translated to 290.2 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of 701.0 million Canadian dollars as at 31 March 2004 includes 216.7 million U.S. dollars translated to 284.2 million Canadian dollars in accordance with current practice.

The Province does not anticipate conversion of the U.S. dollars to Canadian dollars as the U.S. funds will be used to retire U.S. debt.

**6. Unamortized Unrealized Foreign Exchange Gains and Losses**

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2005. See Schedule F - Debenture and Other Debt. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is \$1.8 million which represents a credit adjustment (31 March 2004 - \$22.8 million-credit adjustment).

	31 March 2005	31 March 2004
	(\$mil)	(\$mil)
Unrealized foreign exchange gain (loss):		
Debt .....	10.6	(106.4)
Sinking funds .....	(6.6)	16.0
Net .....	4.0	(90.4)
Total accumulated amortization .....	97.0	98.8
Net unamortized unrealized foreign exchange gain (loss) .....	<u>101.0</u>	<u>8.4</u>

**7. Provision for Guaranteed Debt**

An amount of \$0.1 million (31 March 2004 - \$0.1 million) has been recorded as a provision for possible losses on guaranteed debt (see note 12(a)). See Schedule E - Other Liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**8. Retirement Benefits - Group Health and Life Insurance**

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Public Service Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. These programs provide both group health and group life benefits to enrolled retirees.

Under the plans, the Province pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under both programs sponsored by the Province and the NLTA. As at 31 March 2005, the plans provided benefits to 14,822 retirees.

**Actuarial Valuations**

The actuarial valuation which was prepared by the Province's actuaries (valuation date of 31 March 2003) was based on a number of assumptions about future events including an interest rate of 5.5%, CPI of 3.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

**Group Health and Life Insurance Retirement Benefits Liability**

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

Plan	Estimated Accrued Benefit Obligation	Unamortized Experience Losses 2005	Net Liability 2005	Net Liability 2004	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	1,193.1	(121.4)	1,071.7	985.0	86.7
Group life insurance retirement benefits	85.8	(8.1)	77.7	72.7	5.0
	1,278.9	(129.5)	1,149.4	1,057.7	91.7

There are no fund assets associated with these plans.

**Group Health and Life Insurance Retirement Benefits Expense**

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Plan	Province's Share of Current Period Costs	Interest Expense on the Liability	Province's Current Period Contributions	Current Period Amortization of Experience Changes	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	30.4	62.1	(14.5)	8.7	86.7
Group life insurance retirement benefits	1.6	4.1	(1.3)	0.6	5.0
	32.0	66.2	(15.8)	9.3	91.7

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**Experience Gains or Losses**

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

**9. Retirement Benefits - Pensions****Defined Benefits**

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have approximately 32,533 participants.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2005, the plans provided benefits to 19,128 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan or the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 01 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity of these five plans, including the collection of all contributions and the payment of pensions and the investment of funds. The Province guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

**Contribution and Benefit Formulae****Public Service Pension Plan**

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP pension benefits for each year since 1967.

**Teachers' Pension Plan**

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

**Uniformed Services Pension Plan**

Employee contributions are 8.5% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**Members of the House of Assembly Pension Plan**

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 1 April 1998, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

Upon the passing of the legislation to amend the *Members of the House of Assembly Pensions Act* anticipated to be presented to the House of Assembly during 2005-06, the Members of the House of Assembly Pension Plan will be restructured into two components based on limits set out in the federal *Income Tax Act*. The first, or Registered component, will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, will be administered in the accounts of the Consolidated Revenue Fund. The restructuring of this Plan will result in assets of \$8.9 million currently related to the Members of the House of Assembly Pensions Plan as at 31 March 2005 no longer being classified as an asset of that Plan. The amount, however, will ultimately be reallocated to one or more of the other pension plans within the Province of Newfoundland and Labrador Pooled Pension Fund.

**Provincial Court Judges' Pension Plan**

Effective 01 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 08 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 01 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the employee's annual salary. The Registered component of the Plan provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component.

**Actuarial Valuations**

The actuarial valuations which are prepared by the Province's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

**Expected Interest Rates**

The expected average interest rate for the Public Service Pension Plan is 7.5%. The expected rate for the Teachers' Pension Plan is 7.5% projected on a long term basis. The expected rate for the Uniformed Services Pension Plan is 7.5% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 7.5% for the Registered component and 5.5% for the Supplementary Employee Retirement component, projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan is 7.0% for the Registered component (no actuarial valuation has yet been performed on the Supplementary Employee Retirement component).

**Expected Inflation Rates**

The expected inflation rate for the Public Service Pension Plan is 3.0%. The expected rate for the Teachers' Pension Plan is 3.0%. The expected rate for the Uniformed Services Pension Plan is 3.0% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 3.0% projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan (Registered component) is 3.0%.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2003
Teachers'	31 August 2003
Uniformed Services	31 December 2003
Members of the House of Assembly	31 December 2003
Provincial Court Judges'	01 April 2002

Actuarial extrapolations are provided for accounting purposes by the Province's actuaries based on the above dates, unless otherwise noted.

**Pension Liability**

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's actuaries to 31 March 2005. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Losses 2005	Net Unfunded Liability 2005	Net Unfunded Liability 2004	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	3,928.3	1,979.1	(278.1)	1,671.1	1,584.4	86.7
Teachers'	3,103.6	802.9	(257.1)	2,043.6	1,942.5	101.1
Uniformed Services	248.1	62.5	(10.2)	175.4	180.2	(4.8)
Members of the House of Assembly	73.7	16.1	(17.3)	40.3	35.4	4.9
Provincial Court Judges'	4.5	1.3	-	3.2	3.0	0.2
<b>Total</b>	<b>\$7,358.2</b>	<b>\$2,861.9</b>	<b>(\$562.7)</b>	<b>\$3,933.6</b>	<b>\$3,745.5</b>	<b>\$188.1</b>

Pension Fund Assets are valued at the market value at 31 December 2004 and projected to year end.

**Special Payments**

Pursuant to the applicable pensions legislation, the Province has agreed to make special payments of \$60 million annually into the Public Service Pension Plan as long as the plan remains unfunded. In addition, the Province has agreed to make special payments of \$76 million annually into the Teachers' Pension Plan until the remaining balance of an initial obligation of \$815 million plus interest has been paid. Annual payments of \$20 million to the Uniformed Services Pension Plan are also being made by the Province for a five year period which commenced in 2001-2002. Also commencing in 2001-02, the Province began making annual payments of \$7.5 million to the Members of the House of Assembly Pension Plan, however, these payments will only be allowable under the federal *Income Tax Act* to the extent that they fully fund the Registered component of the Plan. This will result in \$8.9 million of the \$16.1 million assets in the Members of the House of Assembly Pension Plan as at 31 March 2005 no longer being classified as an asset of that Plan. The amount, however, will remain part of the Province of Newfoundland and Labrador Pooled Pension Fund and will ultimately be allocated to one or more of the other pension plans.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**Pension Expense**

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	(12.7)	141.7	(79.8)	31.0	6.5	86.7
Teachers'	16.0	163.1	(110.0)	32.0	-	101.1
Uniformed Services	1.6	14.4	(21.9)	1.1	-	(4.8)
Members of the House of Assembly	1.5	1.3	(0.4)	2.5	-	4.9
Provincial Court Judges'	0.5	0.1	(0.2)	-	(0.2)	0.2
<b>Total</b>	<b>\$6.9</b>	<b>\$320.6</b>	<b>(\$212.3)</b>	<b>\$66.6</b>	<b>\$6.3</b>	<b>\$188.1</b>

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2004 amounted to \$330.9 million.

**Experience Gains or Losses**

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

**Other Pension Plans**

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 23,407 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by the London Life Insurance Company and at 31 March 2005 assets had a market value of \$173.9 million (31 March 2004 - \$157.3 million).

**10. Current and Capital Account**

The annual deficit of \$554.7 million (31 March 2004 - \$670.2 million) is comprised of a deficit on the current account of \$298.6 million (31 March 2004 - \$490.7 million) and a deficit on the capital account of \$256.1 million (31 March 2004 - \$179.5 million). The classification of revenue and expenses between current account items and capital account items follow the classifications as per the Estimates for the purposes of categorizing the annual deficit.

**11. Amounts Capitalized**

Funds advanced to Crown agencies may be in the form of investments in such agencies or as loans or advances. Payments and receipts related to principal portions of these loans, advances and investments are capitalized on the Statement of Financial Position. Depending upon the relevant legislation and/or particular circumstances under which a Crown agency is established, the profits generated by their operations may be: (a) turned over to the Province and recorded as revenue; (b) used to repay loans and advances made to the agency by the Province; or (c) retained by the agency.

Amounts capitalized for 31 March 2005 amounted to \$1.0 million (31 March 2004 - \$6.2 million). See Schedule J - Reconciliation of Modified Cash to Accrual.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**12. Contingent Liabilities****(a) Guarantees**

Guarantees made by the Province as at 31 March 2005 amounted to \$2,120.6 million (31 March 2004 - \$2,296.0 million). In addition, the Province guaranteed the interest thereon. See Schedule G - Guaranteed Debt.

**(b) Legal Actions**

- (i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.
- (ii) A Statement of Claim has been served on the Province in its role as the regulator of mortgage brokers and investment companies.
- (iii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

**(c) Other****(i) Registrar of the Supreme Court**

The Province of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Registrar of the Supreme Court as administrator, guardian, trustee, etc. (*Judicature Act*).

**(ii) Pensions****a) Province of Newfoundland and Labrador Pooled Pension Fund**

Pursuant to Section 9 of the *Pensions Funding Act*, the Province is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 9.

**b) Memorial University of Newfoundland Pension Fund**

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Province is liable for payment of an amount to cover the deficiency. As at 31 March 2005, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability of \$134.7 million. However, as there is currently sufficient money in the Fund for the payment of expenditures as they fall due, there is no direct liability for the Province.

**(iii) Trust Accounts**

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule I - Trust Accounts.

**(iv) Canadian Saltfish Corporation**

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada its proportional share of 50 per cent of the losses to Canada. This share is based on the loss to Canada based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses is \$21.6 million.

This matter is currently under discussion between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(v) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has issued guarantees totalling \$0.1 million. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$21.4 million. An amount of \$20.9 million has been recorded as a provision for possible grants related to student loans due to the debt reduction program. See Schedule E - Other Liabilities.

(vi) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2005, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable. Efforts are currently ongoing to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. These efforts may result in recognizing environmental liabilities or disclosing contingent liabilities due to newly identified sites and/or changes in the assessments of currently known sites.

**13. Commitments**

Commitments to outside organizations in respect of contracts entered into before 31 March 2005 amount to \$198.6 million of which \$13.4 million is for lease payments, \$152.2 million for capital projects, \$29.0 million for Government's service agreement with xwave Solutions Limited that will expire 31 March 2007, and \$4.0 million for other information technology services.

These commitments will become liabilities and expenses of the Consolidated Revenue Fund when the terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

**14. Measurement Uncertainty**

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. Some examples of where measurement uncertainty exists are the accrual of retirement benefits, the amortization of foreign exchange gains or losses, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

**15. Subsequent Event - Atlantic Accord (2005)**

Subsequent to 31 March 2005, the enabling legislation for the Atlantic Accord (2005) agreement was passed by the Government of Canada. The agreement provides 100% equalization clawback protection for offshore revenues for the eight year period from 2004-05 to 2011-12. Following the passing of the agreement, the Province received a \$2 billion advance payment in July 2005. While the agreement did include an allocation for the 2004-05 fiscal year, the revenue recognition criteria, as per generally accepted accounting principles, were not met until the passing of the federal legislation. As this occurred after 31 March 2005, no revenue relating to this agreement is recognized for the year ended 31 March 2005. The allocation for 2004-05 (\$133.6 million), along with the allocation for 2005-06 (\$188.7 million), will be recognized as revenue during the 2005-06 fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**16. Change in Government Structure**

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 23 February 2004 (Orders in Council 2004-197 to 2004-205). Pursuant to Cabinet direction, the financial structure for the departments commenced for the 2004-05 fiscal year. The comparative actual figures have been restated to reflect this new departmental structure.

**17. Comparatives**

Certain of the 31 March 2004 financial statement figures and related schedules have been restated to be consistent with the 31 March 2005 statement presentation. Of particular note, for 31 March 2004 a total of \$90.5 million (\$76.1 million for 31 March 2005) related to municipalities for the repayment of their debt has been reclassified from debt expense to grants and subsidies expense to reflect its true substance. As these transactions were budgeted as debt expenses and not grants and subsidies expense, the amounts presented on the Statement of Operations as Original Estimates for debt expenses and grants and subsidies expense have not been reclassified.

**18. Original Estimates**

Certain amounts in the 2004-05 Estimates shown for comparative purposes were prepared on the accrual basis.

The primary focus of the accrual budget information presented in the 2004-05 Estimates was to adhere to the more general format of the Consolidated Statement of Operations in Volume I. The details of the budgeted revenue and expense items that comprised the annual deficit amount of \$741.4 million (consistent with the more detailed format of the non-consolidated Statement of Operations in Volume II) were not disclosed in the 2004-05 Estimates but rather were obtained from internal documentation used to calculate the budgeted deficit disclosed in the 2004-05 Estimates.

In arriving at the original estimate figures on the Statement of Operations, implicit costs associated with the acquisition of tangible capital assets, which were eliminated from these items, were estimated based on a reasonable allocation methodology. The Estimates format and information disclosed therein is in the process of transition with respect to the inclusion of accrual based amounts.

Amounts for beginning and ending net debt (Statement of Change in Net Debt) and accumulated deficit (Statement of Change in Accumulated Deficit) were not presented in the 2004-05 Estimates and therefore are not available for comparison purposes. However, commencing in the 2005-06 Estimates, figures for net debt and accumulated deficit have been presented for the 2005-06 fiscal year.

**19. Additional Notes**

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

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## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Accounts and Taxes Receivable As at 31 March 2005 with comparative figures for 2004

	2005	2004
	(\$000)	(\$000)
Accounts Receivable:		
Offshore royalties . . . . .	41,924	16,911
Crown agencies working capital and unremitted profits . . . . .	41,768	43,121
Student loans . . . . .	35,978	34,426
Social assistance overpayments . . . . .	28,309	28,667
Court fines . . . . .	25,101	23,415
Miscellaneous/other receivables . . . . .	10,740	4,416
Rent and other royalties/permits to occupy . . . . .	8,429	7,880
Workplace, Health, Safety and Compensation Commission . . . . .	3,755	1,668
Reciprocal billings - medical services . . . . .	2,670	1,642
Fees and licences . . . . .	1,939	1,986
Due from Government of Canada . . . . .	1,237	680
Atlantic Lottery Corporation Incorporated . . . . .	1,098	273
Fire suppression recovery . . . . .	1,098	1,098
Due from municipalities . . . . .	1,044	1,216
Board and lodging . . . . .	682	682
Medical care plan audit recoveries . . . . .	640	392
Province of Newfoundland and Labrador Pooled Pension Fund . . . . .	500	645
Accident claims recoveries . . . . .	231	5,789
Travel advances . . . . .	161	474
Total Accounts Receivable . . . . .	<u>207,304</u>	<u>175,381</u>
Taxes Receivable:		
Sales tax . . . . .	62,221	70,825
School tax . . . . .	41,071	45,877
Tobacco tax . . . . .	12,111	9,300
Gasoline tax . . . . .	11,739	12,981
Health and post secondary education tax . . . . .	7,273	7,216
Mining and mineral rights tax . . . . .	2,714	7,915
Forest management tax . . . . .	2,065	2,200
Personal income tax . . . . .	761	-
Corporate income tax . . . . .	687	-
Insurance companies tax . . . . .	564	553
Mineral holding tax . . . . .	176	208
Financial corporation capital tax . . . . .	108	844
Utilities tax . . . . .	-	20
Total Taxes Receivable . . . . .	<u>141,490</u>	<u>157,939</u>
Total Accounts and Taxes Receivable . . . . .	<u><u>348,794</u></u>	<u><u>333,320</u></u>

#### NOTE

The allowance for doubtful accounts for 31 March 2005 is \$101.2 million (31 March 2004 - \$115.7 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Loans, Advances and Mortgages Receivable As at 31 March 2005 with comparative figures for 2004

	2005	2004
	(\$000)	(\$000)
Crown Agencies:		
Business Investment Corporation - note 1 .....	70,342	115,828
C.A. Pippy Park Commission .....	250	250
Newfoundland and Labrador Film Development Corporation .....	6,819	5,694
Newfoundland and Labrador Industrial Development Corporation - note 2 .....	29,412	29,546
<b>Total Crown Agencies .....</b>	<b>106,823</b>	<b>151,318</b>
Commercial Loans:		
A. L. Stuckless & Sons Limited .....	1,217	1,217
Atlantic Fisheries Limited .....	980	980
Cote's Mechanical Limited .....	200	200
Deluney, William and McCarthy, Leslie .....	-	439
Doyle, James & Sons Ltd. ....	771	771
Easteel Industries Limited .....	3,658	3,658
Eastern Ocean Products Limited .....	163	163
George Sexton Limited .....	50	50
Grandy, Gordon .....	90	90
Griffiths Guitars International Inc. ....	334	300
Hughes, Vincent .....	50	50
Island Seafoods Products Limited .....	250	250
Keats, Eric .....	102	102
Melindy, John .....	191	191
Newfound Harvesting Limited .....	2,837	2,947
Newman, Raymond .....	162	162
Northeast Coast Sealers Co-op Society Limited .....	378	378
O'Rourke, Rupert .....	337	337
Pittman, Thomas .....	93	93
Pumphrey, Gerry .....	537	537
Ryder, Gerald and Street, Walter .....	357	357
Saunders, Ralph .....	61	61
Seaward, Alphonsus .....	99	99
Sexton Lumber Limited .....	324	300
Short, William .....	262	262
Sweet, Roy .....	49	49
Vokey's Shipyard Limited .....	100	100
Whelan, Ormond .....	853	853
White's Fisheries Limited .....	50	50
Wilson, Ronald and Curtis, Kevin .....	299	299
<b>Total Commercial Loans .....</b>	<b>14,854</b>	<b>15,345</b>

## LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	2005	2004
	(\$000)	(\$000)
Other Organizations:		
Gros Morne Mortgages .....	61	60
Municipalities .....	791	875
Total Other Organizations .....	852	935
Total Loans, Advances and Mortgages Receivable .....	<u>122,529</u>	<u>167,598</u>
Current portion .....	12,233	12,237
Long-term portion .....	<u>110,296</u>	<u>155,361</u>
	<u>122,529</u>	<u>167,598</u>

## NOTES

**1. Business Investment Corporation**

Funds are advances to Business Investment Corporation (formerly Enterprise Newfoundland and Labrador Corporation) for the purpose of making loans and equity investments to enable it to carry out its mandate. The advances are non-interest bearing and have no fixed terms of repayment or maturity date. Principal and interest repayments received are paid to the Province and the principal amounts are applied toward the funds advanced.

**2. Newfoundland and Labrador Industrial Development Corporation**

Funds are advanced to Newfoundland and Labrador Industrial Development Corporation for the purpose of providing long-term financing to industrial and resource based companies. The Province holds non-interest bearing notes with no fixed terms of repayment or maturity dates. Any balance available out of net profits or equity redemptions is to be paid to the Province at such intervals and in a manner that the Minister of Finance may direct.

**3. Loans, Advances and Mortgages Receivable**

Interest rates and terms for loans due from Business Investment Corporation and Newfoundland and Labrador Industrial Development Corporation have been disclosed above. Interest rates on all other loans range from Prime +1% to 14% and are repayable over terms not exceeding twenty-five years.

**4. Interest Receivable**

The balances include interest receivable at year-end of \$3.6 million (31 March 2004 - \$3.8 million) where applicable. It consists of interest due and unpaid, late interest charges and accrued interest.

**5. Allowance for Doubtful Accounts**

The allowance for doubtful accounts for 31 March 2005 is \$78.5 million (31 March 2004 - \$127.0 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Investments As at 31 March 2005 with comparative figures for 2004

Description of Investment	Net Additions	Balance 31 March 2005		2004
		No. of Shares	Cost	Cost
	(\$000)		(\$000)	(\$000)
<b>Preferred Shares:</b>				
Atlantic Ocean Farms Limited				
Class "A", redeemable .....	-	289,655	290	290
Country Ribbon Inc. - note 1 .....	-	4,500	4,500	4,500
CHC Composites Inc. - note 2 .....	(4,750)	47,500	4,750	9,500
CHC Composites Inc. Series II - note 2 .....	-	10,000	1,000	1,000
Total Preferred Shares Investments .....	<u>(4,750)</u>		<u>10,540</u>	<u>15,290</u>
<b>Common Shares:</b>				
ACF Equity Atlantic Inc. ....	-	2,390,000	2,231	2,231
Atlantic Lottery Corporation Inc. ....	-	1	-	-
Bull Arm Site Corporation Inc. ....	-	3	-	-
Hotel Buildings Limited - note 3 .....	(3)	-	-	3
Hurley Slate Works Company Inc. - Class "B" .....	-	400	400	400
Inter-Provincial Lottery Corporation .....	-	1	-	-
Manitoba Telecom Services Inc. - note 4 .....	-	126	-	-
Marble Mountain Development Corporation .....	-	500	-	-
Marble Mountain Management Corporation .....	-	500	-	-
Municipal Assessment Agency .....	-	1	-	-
Newfoundland and Labrador				
Education Investment Corporation .....	-	3	-	-
Newfoundland and Labrador				
Film Development Corporation .....	-	600	-	-
Newfoundland and Labrador Heritage Corporation .....	-	1	-	-
Newfoundland and Labrador Hydro Electric Corporation ..	-	22,503,942	10,187	10,187
Newfoundland and Labrador				
Student Investment and Opportunity Corporation .....	-	1	-	-
Newfoundland Government Fund Limited .....	-	2	-	-
Newfoundland Hardwoods Limited .....	-	253	26	26
Newfoundland Ocean Enterprises Limited .....	-	3	3	3
Rooms Corporation of Newfoundland and Labrador Inc. ...	-	500	-	-
Special Celebrations Corporation of				
Newfoundland and Labrador Inc .....	-	500	-	-
Total Common Shares Investments .....	<u>(3)</u>		<u>12,847</u>	<u>12,850</u>

## INVESTMENTS (continued)

Description of Investment	Net Additions (\$000)	Balance 31 March 2005		2004
		No. of Shares	Cost (\$000)	Cost (\$000)
<b>Other:</b>				
Newfoundland and Labrador Housing Corporation - note 5	-	-	62,852	62,852
Total Other Investments	-	-	62,852	62,852
Total Investments	(4,753)		86,239	90,992

## NOTES

**1. Country Ribbon Inc.**

County Ribbon Inc. issued preference shares valued at \$4.5 million to refinance a loan of \$1.9 million and in exchange for a cash payment of \$2.6 million from the Province. These shares are redeemable by the company subject to certain terms and conditions.

**2. CHC Composites Inc.**

The Province had purchased 95,000 preference shares of CHC Composites Inc., at a cost of \$9.5 million. The preference shares are redeemable at a nominal value based upon a pre-determined number of person years of employment to be created. On 8 November 2004, 47,500 preference shares, Series I, were redeemed. A provision has been set up for the remaining amount of the investment.

On 11 July 2003, the Province purchased 10,000 preference shares, Series II, of CHC composites Inc., at a cost of \$1,000,000. These shares are redeemable subject to certain terms and conditions.

**3. Hotel Buildings Limited**

Hotel Buildings Limited ceased operations on 30 June 2004 and was dissolved on 8 December 2004.

**4. Manitoba Telecom Services Inc.**

As part of arrangements made to restructure debt under the *Companies' Creditors Arrangement Act*, AT&T Canada Inc. issued both Class A and Class B common shares to the Province on 01 April 2003. AT&T Canada Inc. emerged from protection under the *Companies' Creditors Arrangement Act* and a new parent company, New AT&T Canada Inc. was incorporated under the *Canada Business Corporations Act*. On 18 June 2003, New AT&T Canada Inc. changed its name to Allstream Inc. Allstream Inc. was subsequently acquired by Manitoba Telecom Services Inc. which issued 126 common shares, dated 4 June 2004, to the Province.

**5. Newfoundland and Labrador Housing Corporation**

This investment represents accumulated capital advances made by the Province to the Corporation. These advances are utilized by the Corporation to develop housing projects, land assemblies, etc. Consequently, the Province's investment is represented by certain physical assets which are held by the Corporation.

**6. Allowance for Investment Write-downs**

The allowance for investment write-downs for 31 March 2005 is \$6.4 million (31 March 2004 - \$10.8 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2005 with comparative figures for 2004

Category	Original Cost			Accumulated Amortization				Net Book Value 31 March 2005	Net Book Value 31 March 2004
	Balance 31 March 2004	Additions 2005	Disposals 2005	Balance 31 March 2005	Balance 31 March 2004	Amort. Net of Disposals 2005	Balance 31 March 2005		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	769.2	14.0	0.2	783.0	440.3	15.7	456.0	327.0	328.9
Marine vessels & aircraft	82.2	0.0	0.0	82.2	58.9	4.2	63.1	19.1	23.3
Equipment & machinery	94.9	9.2	4.5	99.6	69.3	1.3	70.6	29.0	25.6
Infrastructure	3,763.8	32.1	0.2	3,795.7	3,133.4	52.5	3,185.9	609.8	630.4
Computer software	25.6	6.2	0.0	31.8	17.1	4.3	21.4	10.4	8.5
Sub-total	<u>4,735.7</u>	<u>61.5</u>	<u>4.9</u>	<u>4,792.3</u>	<u>3,719.0</u>	<u>78.0</u>	<u>3,797.0</u>	995.3	1,016.7
Work in progress				<u>76.8</u>				<u>76.8</u>	<u>92.7</u>
Total				<u>4,869.1</u>				<u>1,072.1</u>	<u>1,109.4</u>

#### NOTES

#### 1. Tangible Capital Assets

Tangible capital assets are capitalized on the Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

#### 2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. Government currently has a number of projects under construction or development with a total for 31 March 2005 of \$76.8 million (31 March 2004 - \$92.7 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of \$61.5 million include \$24.1 million of work in progress assets that have been capitalized in the year. Additions to work in progress assets amount to \$8.2 million for 2004-05.

#### 3. Amortization Expense

Amortization net of disposals in the amount of \$78.0 million as reported in the schedule consists of amortization expense of \$82.7 million less accumulated amortization on assets disposed of in the year in the amount of \$4.7 million.

Amortization net of disposals as at 31 March 2004 was \$83.2 million which consisted of amortization expense of \$89.0 million less accumulated amortization on assets disposed of in the year in the amount of \$5.8 million.

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TANGIBLE CAPITAL ASSETS (continued)

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**4. Estimated Useful Life**

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircrafts	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal machinery and equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure assets	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

**5. Historical or Cultural Assets**

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents, and historical and cultural artifacts.

**6. Intangible and Inherited Assets**

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

**7. Leased Assets**

The gross amount of leased tangible capital assets is \$55.9 million and accumulated depreciation is \$30.1 million. These are included in the appropriate category in the schedule.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Other Liabilities As at 31 March 2005 with comparative figures for 2004

	2005	2004
	(\$000)	(\$000)
Due to Government of Canada - note 1 .....	568,247	191,730
Due to municipalities .....	353,379	340,909
Accrued interest .....	182,277	177,840
Salaries and benefits .....	125,153	134,725
Accounts payable write-backs .....	80,778	82,621
Taxes payable .....	34,658	974
Health Care Centres - lease/purchase .....	30,316	30,206
Physician services .....	29,741	26,952
Self-insured workers' compensation benefits - note 2 .....	28,423	21,181
Provision for student loan debt reduction .....	20,934	-
Accounts payable - other .....	19,197	17,644
Special purpose funds - note 3 .....	8,096	4,816
St. Clare's Hospital - purchase .....	7,500	8,250
Due to Crown Agencies .....	6,600	5,837
Reciprocal billing - hospital services payable .....	5,100	4,342
Contractors' holdbacks .....	2,575	2,026
Long-term leases .....	1,903	4,734
Provision for guaranteed debt .....	125	125
Bank overdraft - Consolidated Revenue Fund .....	-	14,596
	1,505,002	1,069,508

#### NOTES

**1. Due to Government of Canada**

The total due to the Government of Canada is \$568.2 million. This amount is comprised of \$151.0 million for Equalization overpayments, \$38.8 million for CHST overpayments and \$378.4 million for an Equalization loan.

**2. Self-Insured Workers' Compensation Benefits**

The amount of \$28.4 million relates to the self-insured workers' compensation benefits liability as at 31 March 2005 (31 March 2004 - \$21.1 million). During the 2004-05 fiscal year, an actuarial valuation as of 31 December 2004, with disclosures as at 31 March 2005, was obtained for the Province's self-insured workers' compensation benefits. The self-insured workers' compensation benefits liability as at 31 March 2004 was based on an internally developed methodology.

**3. Special Purpose Funds**

Included in this schedule are funds totalling \$8.1 million considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the *Financial Administration Act*, appropriations are not required for these payments.

**4. Comparatives**

Certain of the 31 March 2004 financial statement figures have been restated to be consistent with the 31 March 2005 statement presentation.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Debenture and Other Debt As at 31 March 2005 with comparative figures for 2004

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes
						2005	2004	
						(\$000)	(\$000)	
General Debentures:								
SZ	05 Feb. 1996	05 Aug. 2004	9.55		-	-	98,895	1(a)
5S	01 Oct. 1987	01 Oct. 2007	10.79		32,591	42,300	42,300	1(a)
AF	15 Oct. 1987	15 Oct. 2007	11.625	(100,000 U.S.)	88,497	120,960	131,130	1(a)
6E	12 Dec. 1997	12 Dec. 2007	5.9		-	150,000	150,000	1(a)
5T	23 Feb. 1988	23 Feb. 2008	11.25		74,089	100,000	100,000	1(a)
6G	07 Oct. 1998	07 Oct. 2008	5.70		-	250,000	250,000	1(a)
6J	03 Nov. 1999	03 Nov. 2009	6.70		-	200,000	200,000	1(a)
5R	25 Feb. 1987	25 Feb. 2010	9.375		83,599	100,000	100,000	1(a)
EC7	19 Feb. 2003	29 Dec. 2010	5.125		-	200,000	200,000	1(b)
6L	25 Jul. 2001	25 Jul. 2011	6.4		-	200,000	200,000	1(a)
5U	15 Feb. 1989	15 Feb. 2012	11		82,075	125,000	125,000	1(a)
EC6	12 May 1993	12 May 2013	5.65		29,733	81,734	81,734	1(b)
6S	04 Jun. 2004	04 Jun. 2014	5.25		-	300,000	-	1(a)
5V	22 Nov. 1989	22 Nov. 2014	10.125		66,658	150,000	150,000	1(a)
AG	01 Jun. 1989	01 Jun. 2019	9	(150,000 U.S.)	78,876	181,440	196,695	1(a)
AH	01 Jun. 1990	01 Jun. 2020	9.875	(150,000 U.S.)	22,971	181,440	196,695	1(a)
AJ	29 Nov. 1990	01 Dec. 2020	10	(150,000 U.S.)	21,932	181,440	196,695	1(a)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(a)
AK	17 Oct. 1991	15 Oct. 2021	9	(200,000 U.S.)	25,740	241,920	262,260	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000 U.S.)	22,506	241,920	262,260	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000 U.S.)	29,713	241,920	262,260	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		9,976	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		14,266	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		35,512	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.5		13,676	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		23,650	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.6		3,867	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.7		-	300,000	-	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		2,685	250,000	250,000	1(a)
Total: General Debentures					762,612	5,637,966	5,253,816	
Other:								
6N	22 Mar. 2002	22 Mar. 2005	Floating		-	-	40,000	1(f)
6P	25 Mar. 2002	23 Mar. 2005	Floating		-	-	60,000	1(f)
6M	31 Oct. 2001	31 Oct. 2005	4.61		-	100,000	100,000	1(a)
Treasury bill borrowings					-	490,941	491,219	1(e)
Total: Other					-	590,941	691,219	

## DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2005	2004
				(\$000)	(\$000)	(\$000)
Government of Canada and Agencies:						
Canada Pension Plan Investment Fund						
Debentures - note 1(c)						
3A-219	02 Apr. 1984	02 Apr. 2004	12.08			
to	to	to	to			
3A-227	02 Jan. 1985	02 Jan. 2005	14.06	-	-	47,146
3A-228	01 Apr. 1985	01 Apr. 2005	10.58			
to	to	to	to			
3A-238	03 Mar. 1986	03 Mar. 2006	12.57	-	50,570	50,570
3A-239	01 Apr. 1986	01 Apr. 2006	9.04			
to	to	to	to			
3A-249	02 Mar. 1987	02 Mar. 2007	10.17	-	59,659	59,659
3A-250	01 Apr. 1987	01 Apr. 2007	9.12			
to	to	to	to			
3A-258	01 Mar. 1988	01 Mar. 2008	11.07	-	43,829	43,829
3A-259	05 Apr. 1988	05 Apr. 2008	9.62			
to	to	to	to			
3A-267	01 Dec. 1988	01 Dec. 2008	10.39	-	41,635	41,635
3A-268	03 Apr. 1989	03 Apr. 2009	9.15			
to	to	to	to			
3A-277	01 Mar. 1990	01 Mar. 2010	10.31	-	45,188	45,188
3A-278	02 Apr. 1990	02 Apr. 2010	10.36			
to	to	to	to			
3A-284	03 Dec. 1990	03 Dec. 2010	11.33	-	40,432	40,432
3A-285	02 Apr. 1991	02 Apr. 2011	9.81			
to	to	to	to			
3A-288	02 Jul. 1991	02 Jul. 2011	10.04	-	40,858	40,858
3A-289	01 May. 1992	01 May. 2012	9.17			
to	to	to	to			
3A-291	02 Jul. 1992	02 Jul. 2012	9.45	-	28,770	28,770
3A-292	01 Mar. 1999	01 Mar. 2019	5.97	-	1,827	1,827
3A-293	02 Apr. 1999	02 Apr. 2019	5.89			
to	to	to	to			
3A-303	03 Mar. 2000	03 Mar. 2020	7.02	-	35,282	35,282
3A-304	01 Apr. 2000	01 Apr. 2020	6.41			
to	to	to	to			
3A-314	02 Mar. 2001	02 Mar. 2021	6.90	-	42,645	42,645
3A-315	01 Apr. 2001	01 Apr. 2021	6.38			
to	to	to	to			
3A-326	01 Mar. 2002	02 Mar. 2022	6.85	-	52,376	52,376
3A-327	01 Apr. 2002	01 Apr. 2022	5.88			
to	to	to	to			
3A-337	01 Mar. 2003	02 Mar. 2023	6.61	-	52,104	52,104

## DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2005	2004
				(\$000)	(\$000)	(\$000)
3A-338	05 Apr. 2003	05 Apr. 2023	5.41			
to	to	to	to			
3A-347	01 Mar. 2004	01 Mar. 2024	6.15	-	50,738	50,738
3A-348	02 Apr. 2004	02 Apr. 2024	5.36			
to	to	to	to			
3A-356	02 Jan. 2005	02 Jan. 2025	5.92	-	47,146	-
Total: Canada Pension Plan Investment Fund Debentures				-	633,059	633,059
Harbour Lodge - see note 1(d)				-	556	572
Total: Government of Canada and Agencies				-	633,615	633,631
Total: Debenture and Other Debt				762,612	6,862,522	6,578,666
Current portion of Debenture and Other Debt					641,511	737,241
Long-term portion of Debenture and Other Debt					6,221,011	5,841,425
					6,862,522	6,578,666

## NOTES

## 1. Details of Debt Issues

a) Non-callable.

b) Non-callable by the Province, except upon changes in tax status and/or law, then as a whole at par.

c) Callable at par at the option of the Minister of Finance of Canada upon six months' prior written notice, subject to the requirements of the Canada Pension Plan. Commencing March 1999, the Province has an option, pursuant to amendments of the Canada Pension Plan enacted by the *Canada Pension Plan Investment Board Act*, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. The Province has exercised an option to refinance its maturing Canada Pension Plan debt and to date has rolled over, for a further 20 year term, all funds made available by the Canada Pension Plan Investment Fund.

d) This is a loan from the Canada Mortgage and Housing Corporation for the acquisition and construction of the Harbour Lodge. This loan is repayable over a 50 year period in blended annual installments of principal and interest, at an interest rate of 7.875%, maturing 1 December 2021.

e) This figure represents the net proceeds from the sale of \$494 million discounted treasury bills with maturity dates ranging from 07 April 2005 to 30 June 2005 and interest rates ranging from 2.440% to 2.606%.

f) Interest is payable quarterly at 3-month Canadian Bankers' acceptances plus 7 basis points.

## 2. Sinking Fund Balance

See note 5 of the Notes to the Financial Statements.

## DEBENTURE AND OTHER DEBT (continued)

**3. Borrowings**

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2005 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian \$	Unamortized Foreign Exchange Gains/(Losses)	Net
			(000's)	(000's)	(000's)
U.S.	1,150,000	1.2096	1,391,040	122,374	1,513,414
Canadian			5,471,482	-	5,471,482
	Sub-total		6,862,522	122,374	6,984,896
	Less: Foreign sinking funds		290,235	21,406	311,641
	Less: Canadian sinking funds		472,377	-	472,377
	Total		6,099,910	100,968	6,200,878

**4. Contributions and Repayment Requirements**

Sinking fund contributions and debt repayments which are not funded by a sinking fund, by major currency, in Canadian dollars are as follows:

	U.S.	Canadian	Total
	(000's)	(000's)	(000's)
2005-2006	11,200	184,200	195,400
2006-2007	11,200	131,200	142,400
2007-2008	8,800	262,500	271,300
2008-2009	8,800	358,300	367,100
2009-2010	8,800	311,900	320,700
2010-2043	83,200	1,954,100	2,037,300
	132,000	3,202,200	3,334,200

The foreign exchange gain which has been realized on the Statement of Operations is \$1.8 million.

**5. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2005 would result in an increase/decrease in foreign borrowings of \$11.5 million (31 March 2004 - \$11.5 million).

**6. Debt-Related Risk**

The Province, in consultation with its fiscal agents, monitors financial markets (interest and foreign currency rates), in consideration of its existing debt servicing costs and mix of domestic and foreign currency debt. Opportunities to reduce debt servicing costs, while keeping debt-related risk to an acceptable level, are duly considered by the Province.

**7. Related Sinking Fund Investments**

At year end, the Province held \$583.5 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2004 - \$440.9 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$452.9 million in Canadian investments and \$130.6 million in US investments.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Guaranteed Debt As at 31 March 2005 with comparative figures for 2004

	Limit of Guarantee (\$000)	Contingent Liability	
		2005 (\$000)	2004 (\$000)
Guaranteed Debentures:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Baie Verte .....	-	-	1
Bishop's Falls .....	16	16	28
Botwood .....	2	2	3
Buchans .....	4	4	7
Burin .....	14	14	21
Channel - Port aux Basques .....	6	6	13
Deer Lake .....	6	6	9
Gambo .....	24	24	31
Gander .....	43	43	63
Glenwood .....	65	65	69
Grand Bank .....	3	3	7
Grand Falls - Windsor .....	35	35	66
Happy Valley - Goose Bay .....	79	79	115
Harbour Breton .....	145	145	158
Harbour Grace .....	71	71	72
La Scie .....	25	25	21
Mount Pearl .....	23	23	32
New-Wes-Valley .....	17	17	25
Placentia .....	89	89	108
Springdale .....	10	10	14
Stephenville Crossing .....	12	12	13
Wabana .....	21	21	25
	710	710	901
Crown Corporations:			
Health Care Corporation of St. John's - note 2 .....	129,295	129,295	130,183
Newfoundland and Labrador Hydro Electric Corporation - note 2 .....	1,452,322	1,452,322	1,485,572
Newfoundland and Labrador Municipal Financing Corporation - note 2 .....	279,176	279,176	305,248
	1,860,793	1,860,793	1,921,003
Guaranteed Bank Loans:			
Crown Corporations:			
Avalon Health Care Institutions Board .....	6,500	3,334	-
Health Labrador Corporation .....	9,000	7,105	5,710
Marble Mountain Development Corporation .....	2,100	1,898	1,887

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**GUARANTEED DEBT (continued)**


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	Limit of Guarantee (\$000)	Contingent Liability	
		2005 (\$000)	2004 (\$000)
Guaranteed Bank Loans:			
Crown Corporations:			
Newfoundland and Labrador Education Investment Corporation . . . . .	-	-	77,461
Newfoundland and Labrador Heritage Corporation . . . . .	-	-	43,484
	<u>17,600</u>	<u>12,337</u>	<u>128,542</u>
Municipalities: - note 3			
Bird Cove . . . . .	-	-	41
Flower's Cove . . . . .	-	-	14
Fox Roost-Margaree . . . . .	26	14	13
Jackson's Arm . . . . .	31	21	11
Musgrave Harbour . . . . .	53	-	-
Pilley's Island . . . . .	38	31	30
	<u>148</u>	<u>66</u>	<u>109</u>
Fisheries: - note 4			
AAG Enterprises Inc. . . . .	245	245	265
A.S.E. Enterprises Limited; Sylvia & Alvin Petten . . . . .	222	222	378
Alcon Enterprises . . . . .	600	600	600
Allingham, Ralph and Wayne . . . . .	44	44	53
Andrew Daley Limited . . . . .	417	417	487
Andrews, Winston and Bert . . . . .	-	-	170
Ashco Fishing Limited . . . . .	740	740	814
Ashley's Pride Enterprises Limited . . . . .	644	644	-
Atlantic Blue Fin Limited . . . . .	1,037	1,037	1,117
Atlantic Explorer III Limited . . . . .	411	411	582
B D & T Enterprises & William F. Ralph . . . . .	214	214	294
B & J Fisheries Limited . . . . .	344	344	389
Barrett, Donald . . . . .	130	130	174
Barrett, Victor and Dwayne . . . . .	157	157	201
Batten, Purdie . . . . .	262	262	345
Burton, Glen - et al . . . . .	143	143	178
Butler, Harold . . . . .	275	275	300
Coles, Kirby - et al . . . . .	209	209	238
Collins Fisheries Limited . . . . .	455	455	512
DJJ Enterprises Inc. . . . .	126	126	152
DOBCO Enterprises Limited . . . . .	360	360	-
Daley, Andrew . . . . .	189	189	234
Daley, Gary . . . . .	225	225	270
Decker, William . . . . .	14	14	36

## GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2005 (\$000)	2004 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Drake, Keith and Gertrude .....	4	4	30
Drover, Walter and Drover's Sea Harvesting Limited .....	626	626	683
E & R Small & Sons Limited .....	350	350	400
Emberley, Randy .....	134	134	156
F.I.C. Enterprises Limited .....	405	405	439
Feltham, Alexander .....	197	197	219
Fennelly, Thomas .....	175	175	206
Fennelly, Thomas and Jeanette .....	200	200	227
Fitzgerald, Kevin and Daphne .....	-	-	77
Foley, Dennis J. ....	-	-	12
Forsey, Maxwell .....	259	259	297
G & D Fisheries Limited .....	920	920	534
Gallant, Guy .....	331	331	435
Genge, Claude - et al .....	-	-	2
Genge, Emanuel Jr. ....	225	225	263
Genge, Marvin .....	338	338	371
Genge, Montrose .....	298	298	374
Gibbons, David and Reginald .....	9	9	9
Gosse, George Roy .....	39	39	49
Gould, Angus - et al .....	68	68	85
Gould, Clifford - et al .....	112	112	131
Greenham, David J. and Billy F. ....	1,300	1,076	-
Greenham, David J. and Billy F. T/A B & D Fishing .....	398	398	455
Greenspond Fisheries Limited .....	334	334	365
Hart, Edward T. ....	732	732	805
Hart, Lloyd .....	399	399	464
Harvester Enterprises Limited .....	102	102	122
Hayden, Eric .....	46	46	61
Hickey, John Sr. - et al .....	585	585	650
Hicks Fisheries Limited & Randy Hicks .....	341	341	368
High Tide Enterprises Limited .....	520	520	602
High Wave Fisheries Limited .....	425	425	516
Hiscock, Albert .....	-	-	471
House, Lionel .....	-	-	33
Hutchings, Frank .....	265	265	309
Hyde, Gary and Karen .....	137	137	156
JBCE Fisheries Limited .....	468	468	520
J.T. Fisheries Limited .....	157	157	173
Jacobs, George - et al .....	229	229	280

## GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2005 (\$000)	2004 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Jones, Richard	291	291	291
Kailey Venture Limited	475	475	-
Kearney, Francis and Jerome	251	251	282
Larkham's Fisheries Limited	131	131	158
Lavers, Boyd George	489	489	578
Lavers, Dion	78	78	85
Legge, Wilbert	-	-	164
Lewis, John B.	81	81	101
Lewis, Patrick	267	267	302
Leyte, Melvin	926	926	1,005
Leyte, Roy and Melvin	144	144	205
Lormar Enterprises Limited	202	202	219
Loveless, Bruce	11	11	17
Lynch, Levi	181	181	197
Marine Fisher Limited & Dino Dredge	102	102	118
Martin, Harold	256	256	277
May, Gilbert and Eleanor	16	16	20
Meade, Edward J.	-	-	9
Mercer, Stanley	61	61	72
Miller, Gerald and Freeman	-	-	54
Morey, Byron	181	181	217
Morey, Lorne	134	134	172
Morey's Enterprises Limited	260	260	282
Morgan, William G.	846	846	909
Mouland, James B.	217	217	249
Myers, Howard and Baines, Andy	194	194	206
Newhook, Albert	260	260	310
Noel Fisheries Limited	159	159	-
Noonan, Maurice and Raymond	307	307	369
Norman, Glenn	649	649	724
Normore, Elvin	111	111	155
Normore, Kevin, Leroy and Urias	155	155	223
Northern Provider Ltd.	512	512	585
Ocean Surfer Limited	394	394	-
Parsons, William A.	82	82	102
Patey, Randy	-	-	292
Pencol Enterprises Limited	863	863	900
Penney's Fisheries Limited	827	827	898
Penney, Boyd - et al	170	170	171
Penney, Glenn	26	26	35

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 GUARANTEED DEBT (continued)
 

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	Limit of Guarantee (\$000)	Contingent Liability	
		2005 (\$000)	2004 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Petten, Lester .....	-	-	211
Petten, Neal .....	235	235	372
Petten, Raymond .....	882	882	956
Piercey's Fishing Enterprises Limited .....	323	323	415
Plowman, Clayton .....	60	60	71
Porter, Alfred .....	13	13	13
Porter, David and Calvin .....	-	-	45
Porter, Robert E. and Robert W. ....	150	150	161
R & C Rose Enterprises Limited .....	621	621	703
Reid, Austin, Kevin and Boyce .....	249	249	291
Reid, Glen W. ....	40	40	50
Rett Enterprises Inc. ....	-	-	249
Roberts, Charles and Winslow, Glen .....	360	360	420
Rowe, Morley .....	-	-	252
Russell, Wayne .....	171	171	207
Russell, William and Mercer, Glen .....	46	46	70
Ryan, Randy and Lisa .....	291	291	327
S & D Fisheries Limited .....	219	219	259
S & I Fisheries Limited .....	251	251	283
S & J Fisheries Limited .....	430	430	464
SGR Fisheries Limited .....	-	-	737
Seward, Sterling and Lemuel .....	114	114	133
Simmonds, Rex .....	454	454	510
Splendid Fishing Company Limited .....	396	396	425
Symmonds, Michael - et al .....	187	187	208
The Roberts and Sisters Enterprises Limited .....	260	260	282
Toope's Enterprises Limited .....	505	505	-
Tucker, Noah .....	57	57	76
Vernon Petten Enterprises Limited .....	513	513	572
Walsh's Fisheries Limited .....	270	270	315
Ward, Cecil .....	583	583	634
Warren, Maxwell .....	39	39	49
Waye's Enterprises Limited .....	594	594	726
What's Happening Fisheries Limited .....	819	819	700

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**GUARANTEED DEBT (continued)**


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	Limit of Guarantee	Contingent Liability	
		2005	2004
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Whitewater Fisheries Limited and Garfield Tippett .....	194	194	219
Wrice, Wallace & Mary .....	220	220	240
Yankee Point Limited .....	169	169	198
	<u>38,615</u>	<u>38,391</u>	<u>41,934</u>
Aggregate Limit & Contingent Amount .....	<u>31,465</u>	<u>31,241</u>	<u>30,936</u>
Corporate:			
Fogo Island Co-operative Society Limited .....	2,000	1,276	1,156
Island By-Products Limited .....	91	91	133
Newfoundland Symphony Orchestra Association .....	50	37	-
Smith Seafoods Limited .....	100	69	97
Stephenville Airport Corporation .....	350	157	-
Tornгат Fish Producers Co-op Society Limited .....	2,100	695	-
	<u>4,691</u>	<u>2,325</u>	<u>1,386</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Expenses .....	200	146	144
	<u>200</u>	<u>146</u>	<u>144</u>
Other Guarantees:			
Crown Corporations:			
Student Loan Corporation of Newfoundland and Labrador - note 6 .....	213,000	213,000	213,000
	<u>213,000</u>	<u>213,000</u>	<u>213,000</u>
	<u>2,128,607</u>	<u>2,120,618</u>	<u>2,296,021</u>

**NOTES****1. Definitions**

The headings used in this Schedule are defined as follows:

**Limit of Guarantee** - This represents the maximum amount of loan advances available under the Province's guarantee plus capitalized interest thereon and past due interest, less downpayment and less any receipted Provincial subsidy.

**Contingent Liability** - This represents the actual amount of loan advances (drawdowns) outstanding under the various guarantees plus capitalized interest thereon and past due interest. This represents the amount that the Province would be liable for if it had to honour these guarantees at year end.

The difference between these two amounts reflects the financing still available under the Province's guarantee. As of 31 March 2005, capitalized interest and past due interest amounted to nil and nil respectively.

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**GUARANTEED DEBT (continued)**


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**2. Debenture Issues with Sinking Funds**

Corporations for which guarantees are presented net of sinking fund values:

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds .....	1,400,000	20,635	140,059	1,280,576
- Government of Canada .....	13,985	6	-	13,991
- Promissory Notes .....	156,956	799	-	157,755
				<u>1,452,322</u>
Newfoundland and Labrador Municipal Financing Corp.				
- Canadian Funds .....	283,833	4,578	9,235	<u>279,176</u>
Health Care Corporation of St. John's				
- Canadian Funds .....	130,000	2,605	3,310	<u>129,295</u>

**3. Municipal Loans**

Interim financing for municipal capital projects is provided through these guaranteed bank loans, provided by banks and credit unions, which include interest capitalized during the construction. The Province enters into cost-sharing arrangements with municipalities and, upon completion of related projects, the Province will repay its agreed upon share of interim financing. Municipalities' shares of interim loans are refinanced through long-term borrowings by the municipalities. These long-term borrowings are not guaranteed by the Province.

**4. Fisheries Loans**

During a vessel's construction period, interim financing is provided through bank loans which are fully guaranteed by the Province. Once construction has been completed, these interim loans are converted to term debt by the banks. With regard to these term loans, the Province's contingent liability under each individual guarantee is determined as being limited to the lesser of the term loan or 20% of the aggregate of all term loans made by the Bank, less the total of all claims paid to the Bank by the Province with respect to these loans.

For the fiscal year ended 31 March 2005, the Province's contingent liability is limited to \$31.2 million.

**5. Payments under Guarantee**

During the 2004-05 fiscal year there were no payments under guarantee.

**6. Student Loan Corporation of Newfoundland and Labrador**

The Corporation is responsible for the funding and administration of loans to qualifying post-secondary students. A floating rate note dated 31 March 2004 was issued in the amount of \$213 million, primarily to finance the purchase of the outstanding student loan portfolio from the previous service provider - a Canadian chartered bank. The loan is unconditionally guaranteed as to principal and interest by the Province.

**7. Valuation Allowance**

The provision for guaranteed debt for 31 March 2005 is \$0.1 million (31 March 2004 - \$0.1 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Losses, Uncollectible Accounts and Other Amounts Written Off For the year ended 31 March 2005 with comparative figures for 2004

Department	2005	2004
	(\$000)	(\$000)
Finance:		
Remissions .....	404	635
Tax forgiveness .....	2,778	51
Loan forgiveness .....	49,863	113
	<u>53,045</u>	<u>799</u>
Environment and Conservation:		
Uncollectible accounts .....	152	-
Government Services:		
Uncollectible accounts .....	-	14
Transportation and Works:		
Uncollectible accounts .....	89	1
Fisheries and Aquaculture:		
Uncollectible accounts .....	-	11
Natural Resources:		
Uncollectible accounts .....	21	12
Municipal and Provincial Affairs:		
Uncollectible accounts .....	-	1
Justice:		
Uncollectible accounts .....	1,742	6
Innovation, Trade and Rural Development:		
Uncollectible accounts .....	-	1
Tourism, Culture and Recreation:		
Uncollectible accounts .....	5	140
Health and Community Services:		
Third party liabilities .....	-	12
Human Resources, Labour and Employment:		
Overpayment of social assistance .....	686	512
Uncollectible Accounts .....	-	4
	<u>686</u>	<u>516</u>
Total	<u><u>55,740</u></u>	<u><u>1,513</u></u>

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Trust Accounts As at 31 March 2005 with comparative figures for 2004

	2005	2004
	(\$000)	(\$000)
Assets		
Registrar of the Supreme Court .....	28,259	23,563
Teachers' Accrued Salary Trust Account .....	6,222	5,823
Commercial and Corporate Affairs Trust .....	5,616	5,580
Consolidated Tender Account .....	2,308	1,076
Provincial Courts Trust Account .....	724	646
Federal/Provincial Contractors' Security Account .....	419	504
Securities Payable .....	84	53
Rooms Trust Account .....	82	80
H.M. Penitentiary .....	76	76
High Sheriff of Newfoundland .....	73	77
Victims of Mount Cashel .....	70	-
Contractors' Security Account - Transportation and Works .....	37	54
Newfoundland and Labrador Youth Centre .....	26	51
School for the Deaf .....	12	10
West Coast Correctional Centre .....	11	8
Labrador Correctional Centre .....	10	10
Newfoundland and Labrador Correctional Centre for Women .....	7	7
Unpaid Wages Trust Account .....	4	2
Labour Standards Tribunal .....	2	5
Bishop's Falls Correctional Centre .....	2	1
Small Claims Court .....	-	2
Total Trust Account Assets	44,044	37,628
Balance of Funds		
Balance of Funds .....	44,044	37,628
Total Balance of Funds	44,044	37,628

#### NOTE

##### Newfoundland Government Fund

The Newfoundland Government Fund, which had been included in the Trust Accounts schedule above in previous fiscal years, has now been removed from the schedule as a result of reassessing the nature of the organization. The reassessment has confirmed that the Newfoundland Government Fund is in fact not a trust administered by the Province.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Reconciliation of Modified Cash to Accrual For the year ended 31 March 2005 with comparative figures for 2004

	2005		2004	
	Current (\$000)	Capital (\$000)	Current (\$000)	Capital (\$000)
Surplus (Deficit) - modified cash .....	143,581	(226,957)	8,014	(142,725)
Less: Amounts capitalized .....	-	999	-	6,190
	<u>143,581</u>	<u>(225,958)</u>	<u>8,014</u>	<u>(136,535)</u>
Surplus (Deficit) - accrual .....	(298,576)	(256,129)	(490,657)	(179,540)
Change in surplus/deficit .....	<u>442,157</u>	<u>30,171</u>	<u>498,671</u>	<u>43,005</u>
<p>The change in the basis of accounting from the modified cash to the accrual affected revenue and expense as follows:</p>				
Revenue:				
Retail sales tax .....	42,282	-	(2,925)	-
Gasoline tax .....	1,242	-	(952)	-
Other taxes .....	6,608	-	(8,653)	-
Non-tax revenue .....	(26,337)	-	(9,462)	-
Related revenue - provincial .....	(48,489)	(18,412)	(36,703)	(5,416)
Equalization .....	-	-	99,765	-
Related revenue - federal .....	6,402	-	(19,345)	-
Canada Health and Social Transfer .....	(2,442)	-	14,906	-
Total revenue .....	<u>(20,734)</u>	<u>(18,412)</u>	<u>36,631</u>	<u>(5,416)</u>
Expense:				
Salaries .....	2,888	(2,619)	3,995	(2,921)
Employee benefits .....	(64,735)	-	(75,318)	-
Retirement costs .....	120,935	-	104,671	-
Transportation and communication .....	-	(538)	-	(821)
Supplies .....	1,484	(227)	132	(334)
Professional services .....	-	(141)	-	(2,178)
Purchased services .....	3,401	(23,902)	480	(47,194)
Property, furnishings and equipment .....	-	(8,614)	-	(4,146)
Allowances and assistance .....	(4,903)	-	(288)	-
Grants and subsidies .....	13,481	12,469	(4,053)	20,132
Debt expenses .....	390,340	(3,469)	409,103	(2,216)
Information technology .....	-	(8,827)	-	(4,009)
Amortization expense .....	-	82,667	-	89,029
Bad debt expenses .....	-	1,784	23,318	3,079
Total expense .....	<u>462,891</u>	<u>48,583</u>	<u>462,040</u>	<u>48,421</u>
Change in surplus/deficit .....	<u>442,157</u>	<u>30,171</u>	<u>498,671</u>	<u>43,005</u>
	<u>472,328</u>		<u>541,676</u>	